

CITY COUNCIL OF THE CITY OF SAN JOSÉ

October 27, 2009

Labor Negotiations

Diversity of Workforce and Services

- Wide variety of services
 - 618 Classifications
 - Unbenefited temporary/seasonal part-time positions
 - Management and Executive positions
- 96% of employees are represented by 11 bargaining units

Fiscal Year 2010-2011 Budget

- General Fund deficit currently estimated to be **\$91.5 million**
- Approximately two-thirds of the General Fund is personnel costs

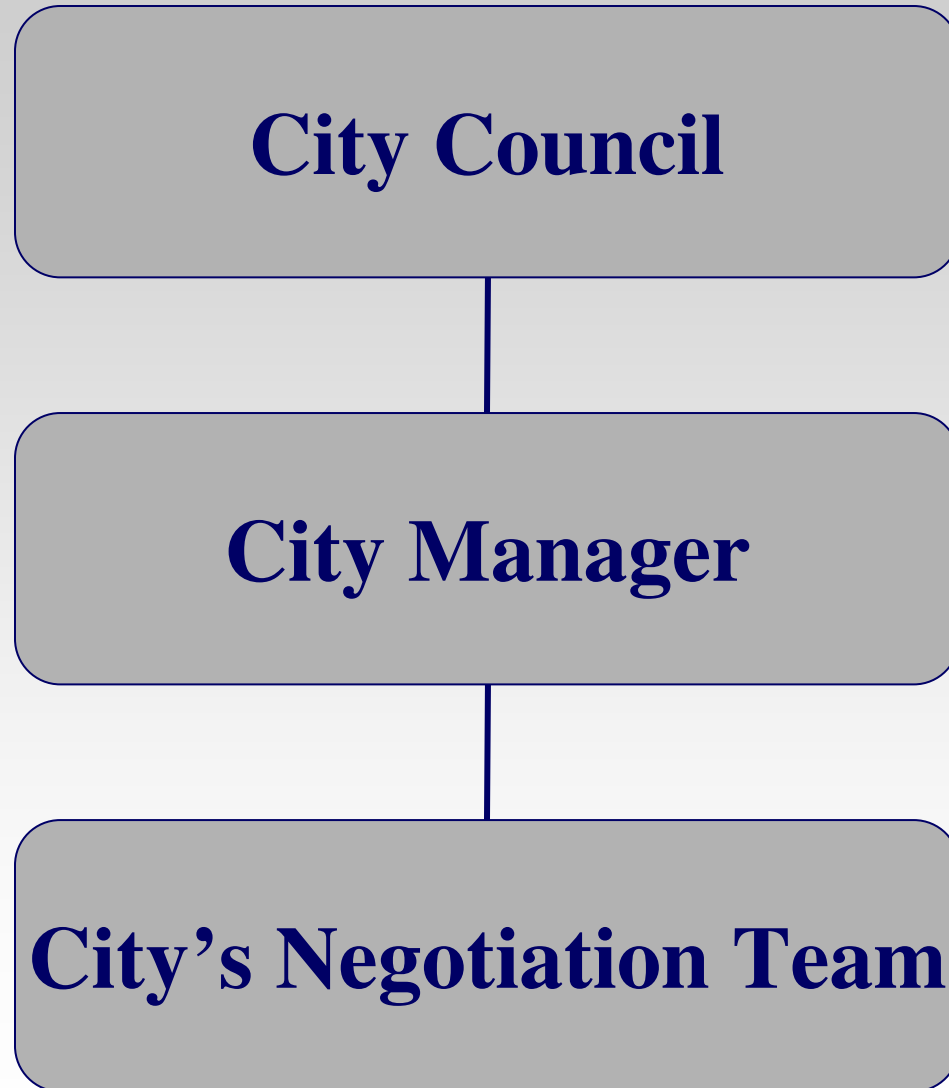
Framework of Budget Options

- I. Reduce Per Employee Cost
- II. Service Reductions/Eliminations
- III. New/Increased Revenue Sources

Bargaining Units

Bargaining Unit	FTE's
San Jose Fire Fighters, Local 230 (IAFF)	739
Association of Building, Mechanical and Electrical Inspectors (ABMEI)	57
International Brotherhood of Electrical Workers, Local No. 332 (IBEW)	81
Association of Legal Professionals (ALP)	46
San Jose Police Officers' Association (POA)	1375
International Union of Operating Engineers, Local No. 3 (OE#3)	818
Association of Engineers and Architects (AEA)	236
Association of Maintenance Supervisory Personnel (AMSP)	86
City Association of Management Personnel (CAMP)	410
Municipal Employees' Federation (MEF)	2294
Confidential Employees' Organization (CEO)	216
Total Represented Employees	6358

Labor Negotiations



Applicable Policies & Regulations

- Meyers-Milias-Brown Act (MMBA)
- City Charter
- Employer-Employee Relations Resolution
- Council Labor Negotiations Guidelines

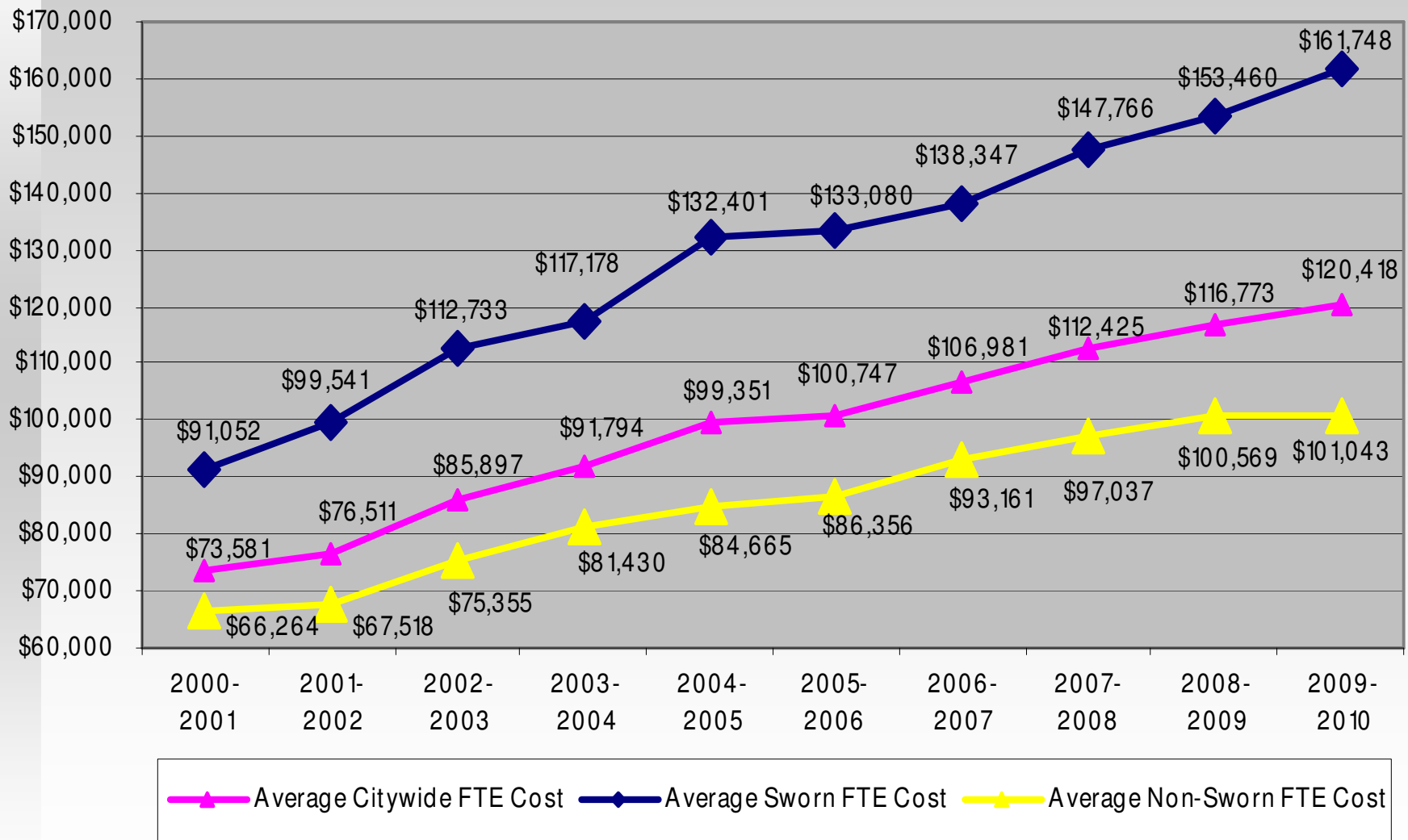
Recent Accomplishments

- Retiree Healthcare
 - 10 of 11 bargaining units pre-funding retiree healthcare
- Fiscal Year 2009-2010 “True Zeroes”
 - Achieved “true zeroes” with many of the City’s bargaining units
 - CAMP, MEF and CEO agreed to re-open contracts
 - ABMEI- 10% pay reduction through a reduced workweek
- Healthcare Costs
 - 10 of 11 bargaining units have 90/10 cost sharing for health care premiums
 - Increased HMO co-pays from \$0 to \$10
- Wellness Program

Fiscal Year 2009-2010 Citywide Total Compensation

Citywide Salary & Benefits		
	Total	%
GRAND TOTAL	\$797.5 Million	100%
Base Payroll	\$582.3 Million	73.01%
Retirement Benefits	\$137.5 Million	17.24%
Health/Dental Benefits	\$64.1 Million	8.05%
Other Benefits	\$13.6 Million	1.70%

Average Full Time Employee Costs Growth (Sworn and Non-Sworn)



2009-2010 Negotiation Schedule

Bargaining Unit	Contract Expiration
IAFF	Expired
ABMEI	12/10/09
IBEW	03/06/10
OE#3	Expired*
ALP**	N/A*
AMSP	06/30/10
AEA	06/30/10
CAMP	06/30/10
POA	06/30/10
MEF	06/30/11
CEO	09/17/11

* No current contract- meet and confer for 2010-2011

** Association of Legal Professionals (ALP) is a new bargaining unit

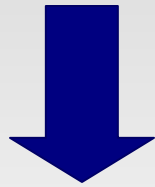
Ongoing Cost Saving Options

- Changes in Pay
- Salary Step Modifications
- Sick Leave Payment Modifications
- Overtime Eligibility Policies
- Modify Minimum Fire Staffing Policy
- Use of Public Safety Civilian Positions
- Second Tier Retirement Benefits
- Health Plan Changes
- Disability Leave Changes

To Achieve \$91.5 million in Savings

General Fund Deficit

\$91.5 million



**Position Eliminations
Sworn & Non-Sworn
Personnel**

763

**Percentage of
Workforce**

11.5%

OR

General Fund Deficit

\$91.5 million



Reducing Total Compensation

15.52%

Reducing Total Compensation Costs

5.0%		
General Fund	Other Fund	Total Funds
\$29.48M	\$10.40M	\$39.88M

10.0%		
General Fund	Other Fund	Total Funds
\$58.96M	\$20.80M	\$79.76M

15.0%		
General Fund	Other Fund	Total Funds
\$88.44M	\$31.20M	\$119.64M

Source: Citywide Budgeted Salary and Benefits for Fiscal Year 2009-2010

Escalating Retirement Costs

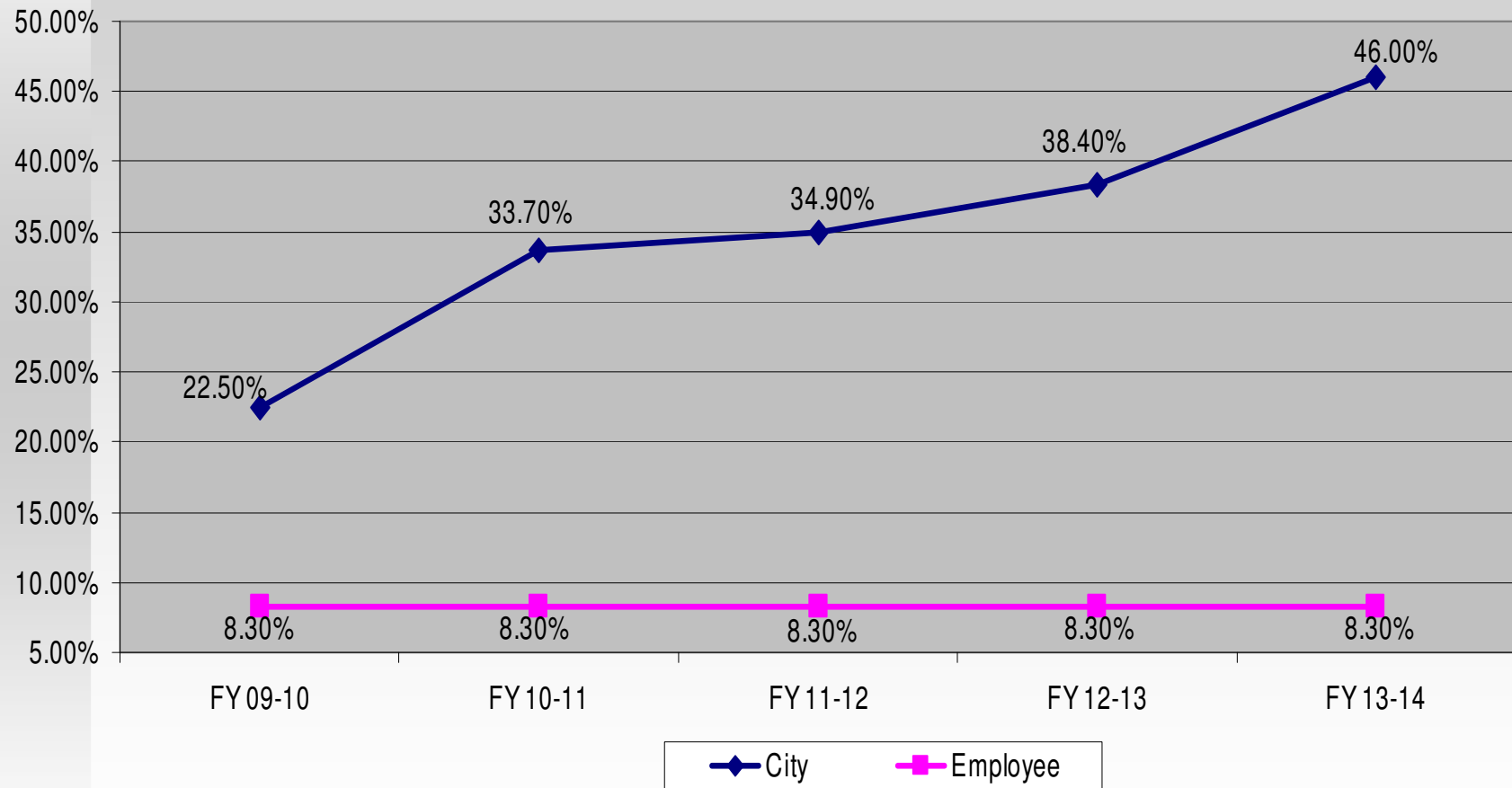
City's Retirement Benefits Costs			
Retirement System/Plan	2000-2001	2009-2010	Difference
Federated Retirement	\$39,409,193	\$72,534,127	84.05%
Police/Fire Retirement	\$23,644,890	\$64,937,902	174.64%
Totals	\$63,054,083	\$137,472,029	118.02%

Decline in Total Net Assets

- In two years, both retirement plans have lost a total of **\$1.1 billion**
 - Will result in increased City contribution rates
- Unfunded liability currently **100% paid** by the City

Decline in Total Net Assets		
Fiscal Year	Police & Fire	Federated
2008-2009	(\$516 Million)	(\$334 Million)
2009-2010	(\$175 Million)	(\$87 Million)
Total	(\$691 Million)	(\$421 Million)
Grand Total	(\$1.112 Billion)	

Police & Fire Projected Pension Contribution Rates



Escalating Retirement Costs

- Current Pension Funding Arrangement
 - Normal Cost (8 to 3 ratio)
 - Unfunded Actuarial Liability (100% City paid)
- Limited Options
 1. Modification of Pension Funding Arrangement
 - Normal Cost (Requires Charter Change)
 - Unfunded Liability (Requires Municipal Code Change)
 2. Modification of Benefits (new hires)

Retirement- Second Tier

- In the last five years, the City has hired approximately 1700 employees eligible for retirement benefits
- Retirement Eligible:

Timeframe	% of Employees
Next 5 Years	31%
Next 10 Years	50%

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Next Steps

- **November 5th: Special Council Meeting**
 - 2010-2011 Budget Planning Meeting
- Continue discussions with employee units
- Begin negotiations with bargaining units

Discussion/Questions